ONCE UPON A DIME

FEDERAL RESERVE BANK OF NEW YORK

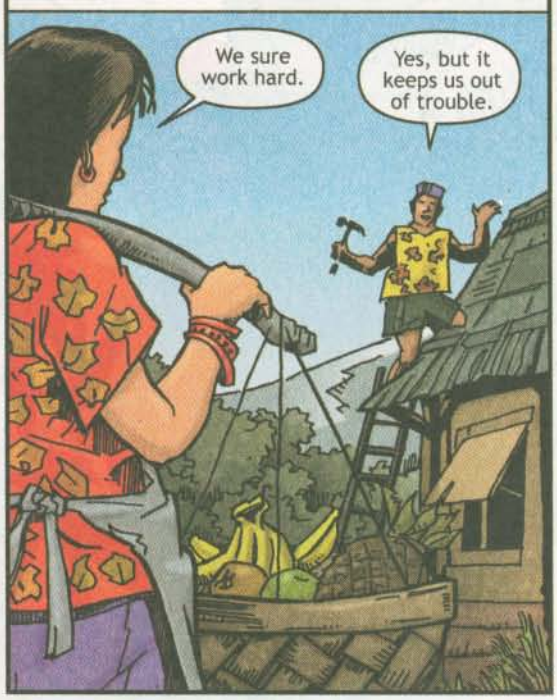
PART ONE

Once, long ago, in the middle of a very big ocean, there was a very small island called Mazuma.

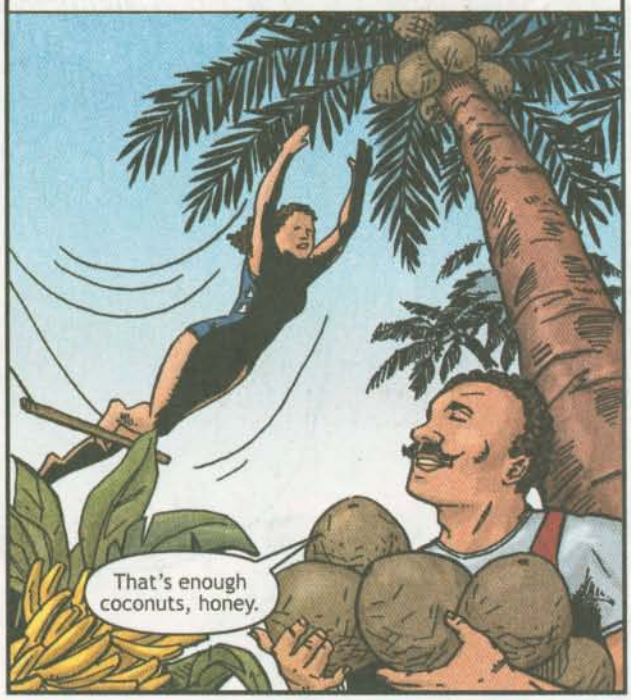
Mazuma was ruled by a very wise king named King Bomba.

Story by: John Martin & Al Wenzel
Art by: Jesse Chen

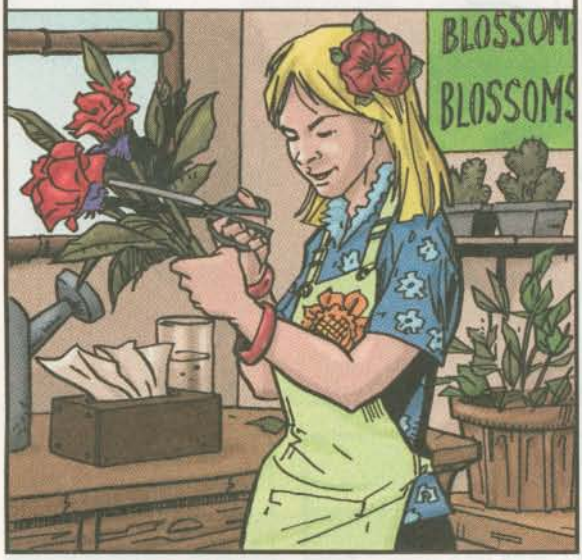
King Bomba was very proud of his little island and the people who lived on it. They worked hard, had fun, and stayed out of trouble.



Fortunately, they had useful skills. Mr. and Mrs. Wingit had been trapeze artists in the circus. They supplied the island with coconuts and bananas.



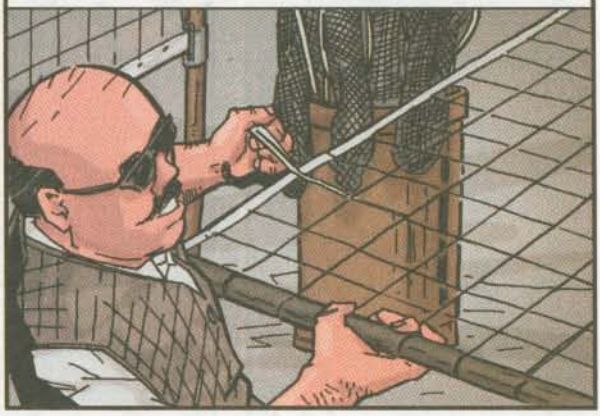
Blossom Frisbee had been a florist. Now she was in charge of growing the island's flowers.



Unfortunately, Blossom was allergic to certain types of flowers and did a lot of sneezing.

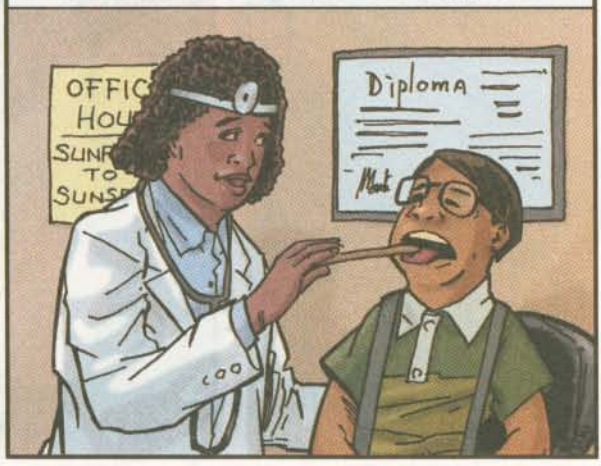
Captain Sharky, who had lost his rod and reel in a shipwreck, was very good at using a net or spear to catch fish.

Sharky traded with the island's netmaker, Nat the Net, for his nets...



... and with Spike, the spearmaker, for his spears.

Dr. Millicent Diligent had managed to save all her medical supplies when her hospital ship sank. Now she took care of everyone when they got sick.



And... there was Bloomfield. He was an artist who liked to paint, play the violin, and write songs.
Bloomfield spent a lot of his time on the banks of Mazuma's only river, the Mazumazippy. There he collected little shiny stones.
Bloomfield's greatest enjoyment was painting his favorite initials on these little stones.
D for delightful, I for imagination, M for mineral and E for eureka, which means "I have found it."
D-I-M-E were the initial so Bloomfield called ea one a dime.
DIME
E PLURIBUS MAZUMA
Bloomfield thought his dimes looked very pretty, and he kept trying to trade them for food and clothing and other necessities – but no one wanted to trade with him.
I'll give you a dime for a pineapple.
No way!
Meanwhile, all the other residents of Mazuma went on happily trading with each other. Sometimes the trading got very complicated.

One day, it got especially complicated – the day that Captain Sharky and Dr. Millicent Diligent decided to get married.

I love you, Millicent. Will you marry me?

Yes, Sharky. I love you, too.

I'd like a beautiful wedding with lots of flowers.

Then there's only one thing to do. Let's go trade with Blossom Frisbee.

Blossom greeted them with a big smile – and two quick sneezes.

Sharky and I want lots of your very best flowers for our wedding. I can trade you shots to protect you against everything from Mazuma measles to albatross pox.

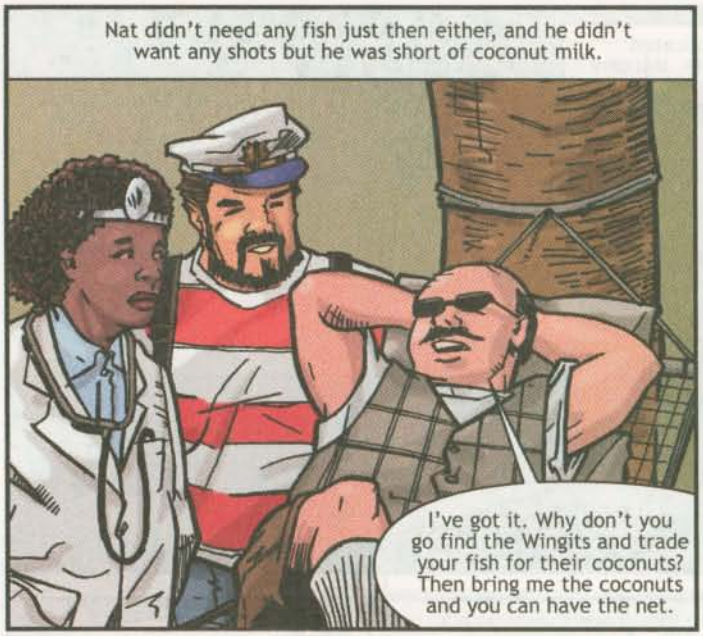
ACHOO! ACHOO!

Or I'll trade you ten of my very finest fish.

Thanks, but I already have more fish than I need and I've had my shots.

There is something I could use, and that's a mosquito net. Why don't you go trade your fish for a net from Nat the Net, then bring it to me and I'll trade you my flowers.

That's a wonderful idea. We'll go see Nat.


Nat didn't need any fish just then either, and he didn't want any shots but he was short of coconut milk.
I've got it. Why don't you go find the Wingits and trade your fish for their coconuts? Then bring me the coconuts and you can have the net.

And so Sharky and Doctor Diligent went off to find the Wingits.
This is getting complicated!

They found them way up in a very high tree.
Hello up there! We'd like to trade ten nice fresh fish for coconuts.

I'm sorry to disappoint you, but we don't need any fish just now. But we could use a spear to break open our coconuts.
Oh, no!

So Sharky and Dr. Diligent set off once again to try and make a trade. They sat down on the riverbank and tried to figure it all out.

Let's see if I've got this straight! If Spike trades us a spear for our fish, then we can trade the spear for the coconuts, then the coconuts for the net, and then the net for the flowers for the wedding.

I only wish there were a simpler way.

Just then, who should come along but Bloomfield and King Bomba.

You two don't look very happy for people who are getting married. What's wrong?

Oh, nothing much, King Bomba. It's just our usual problem with trading.

You see, we want lots of flowers for our wedding, but Blossom doesn't need Sharky's fish and she doesn't want my shots. However, she **can** use a net to keep out mosquitoes.

If Spike will trade a spear for my fish, then we can trade the spear for some coconuts, the coconuts for a net, and the net for the flowers.

That's a lot of **trading!**

It does seem like a lot of trouble to go to just to get your flowers.

I wish there were a way to get the things we need without this complicated trading.

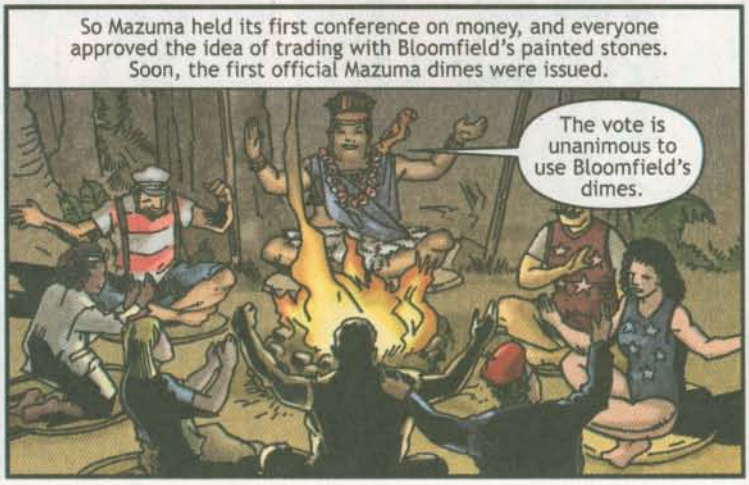
You know what we need? We need something that everyone on Mazuma would accept. Something we could all use to make trading easier.
Why not fish?

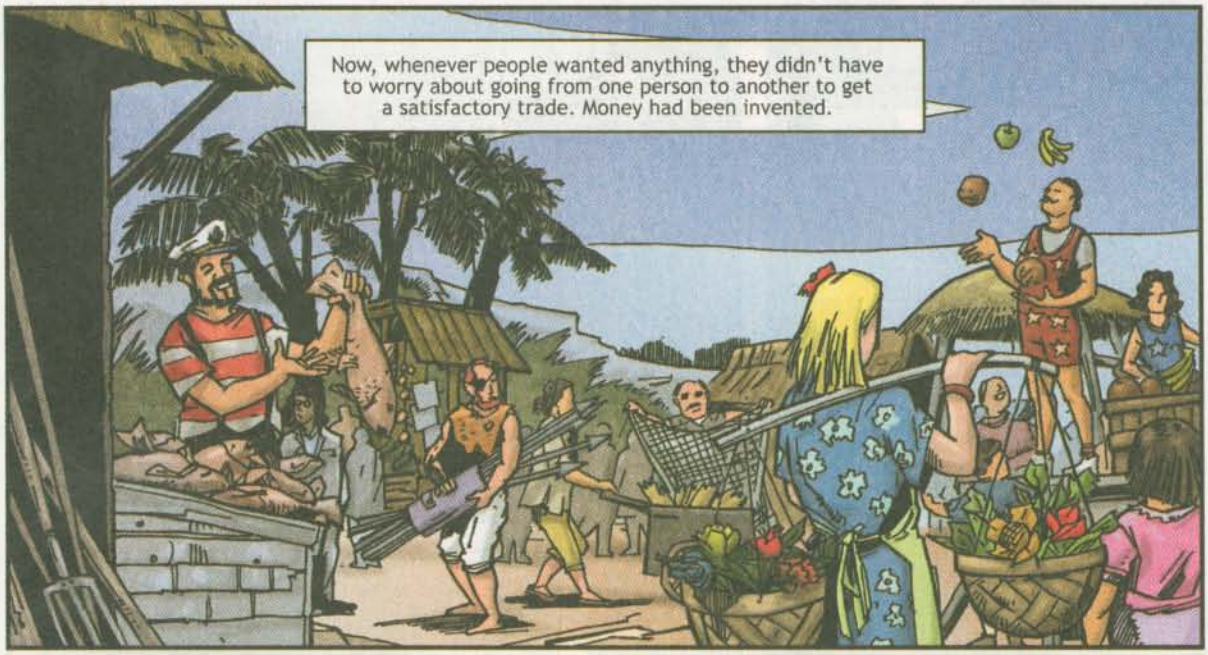
Wouldn't fish be a bit inconvenient to carry around? And they don't keep very well either.

We need something that's small, that's easy to carry, and that doesn't smell badly after a few days.
That gives me a wonderful idea. Why not use Bloomfield's dimes? They are small, light, and easy to carry around.

There's just one problem. Anyone who wanted to cheat could just pick up some of these stones and paint D-I-M-E on them.

But nobody would know my secret for getting just the right colors. Don't worry - no one can imitate my dimes.
Let's see what the others think.

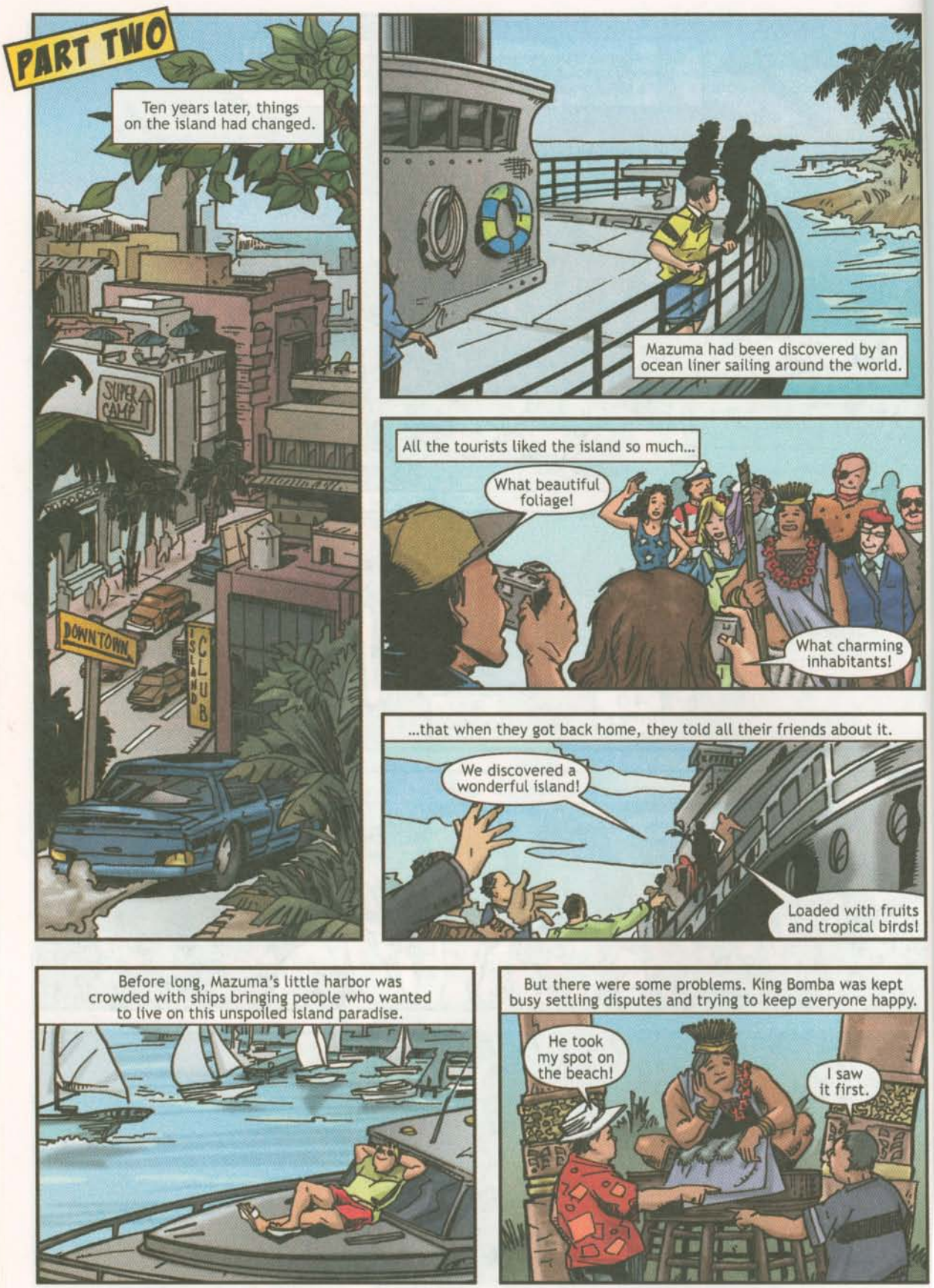

So Mazuma held its first conference on money, and everyone approved the idea of trading with Bloomfield's painted stones. Soon, the first official Mazuma dimes were issued.
The vote is unanimous to use Bloomfield's dimes.


Now, whenever people wanted anything, they didn't have to worry about going from one person to another to get a satisfactory trade. Money had been invented.

50 DIMES
20 DIMES
40 DIMES
30 DIMES
15 DIMES
All Mazuma's residents had to do was pay the right number of dimes and they could get whatever they wanted.

And so Sharky and Dr. Diligent were married – and there were lots and lots of flowers at their wedding.
Do you take this man to be your lawfully wedded husband?
I do.

To celebrate, everybody had coconut flambé and sang Bloomfield's latest song, "On the Banks of the Mazumazippy Far Away."
END OF PART ONE


PART TWO
Ten years later, things on the island had changed.
SUPER CAMP
DOWNTOWN
ISLAND CLUB
Mazuma had been discovered by an ocean liner sailing around the world.
All the tourists liked the island so much...
What beautiful foliage!
What charming inhabitants!
...that when they got back home, they told all their friends about it.
We discovered a wonderful island!
Loaded with fruits and tropical birds!
Before long, Mazuma's little harbor was crowded with ships bringing people who wanted to live on this unspoiled island paradise.
But there were some problems. King Bomba was kept busy settling disputes and trying to keep everyone happy.
He took my spot on the beach!
I saw it first.

But his biggest problem was deciding what to do about Bloomfield's dimes. Big purchases took so many dimes that shopping became very inconvenient.

I still need another load and a half.

70,000 DIMES

What are we going to do about the dime problems, Bloomfield? It just takes too many of them for big purchases.

Funny you should mention that, King Bomba.

This big green tree is a mint tree... and I think it may be the answer.

Really?

Well, I must say it smells nice... but how can it solve our problem?

Well, you see, I've always used its bright green leaves as a dye for my green paint.

So why don't we use the leaves to dye some of our bigger stones this special green color? Then they'd be worth more than our dimes.

Not only that, but they'll smell good!
You may have something there. Why don't we give it a try?
The next day, Bloomfield built a fence around the mint tree so he would have privacy for his work. Then he started dyeing bigger stones the bright green color that came from its leaves.
He proudly showed one to the king and explained that it was worth 10 dimes. King Bomba shielded his eyes.
You know, it's awfully bright! Couldn't you make it a little duller?
Duller? That's a very good name! I'll make our "duller" less shiny, but it'll still be worth ten dimes.
Why don't you go ahead and start printing them?
You mean minting them, Your Majesty. After all, this is now the Mazuma mint!
MAZUMA MINT
Wonderful!
Before long, Bloomfield was turning out 1-duller stones, 5-duller stones, 10-duller stones and 20-duller stones. The Mazuma mint was in full operation.

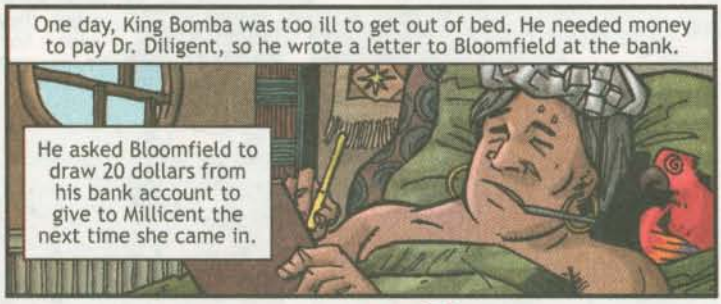
The people of Mazuma liked the new duller coins. They were more convenient than dimes because fewer were needed – but they were a bit heavy to carry around.
15 DULLERS
AVAILABLE TOMORROW KING BOMBA ACTION FIGURE
At the weekly community meeting, someone suggested using paper instead of stones so that Mazuma's money would be lighter.
You have to be very strong to carry 10 and 20 duller coins!
That seemed like a good idea, so King Bomba decreed that Bloomfield issue both stone dullers and paper dullers so that people could have their choices.
What shall we call the paper dullers?
Everyone immediately began to holler out suggestions.
Clams!
Smackers!
Bread!
This upset the king.
I wish they wouldn't holler.
Did you say dollar? That's a wonderful name!
The paper dollars, which were light and easy to carry around, proved to be very popular. In fact, they were so popular that soon Mazuma's shops and industries began to get very busy.

As people made a profit from their business or received their pay, they began looking for a place to put their extra money.

King Bomba had an idea.
What we need is a location that's quiet, restful and dignified.
Why not the riverbank? We could build a storehouse for our extra money there.

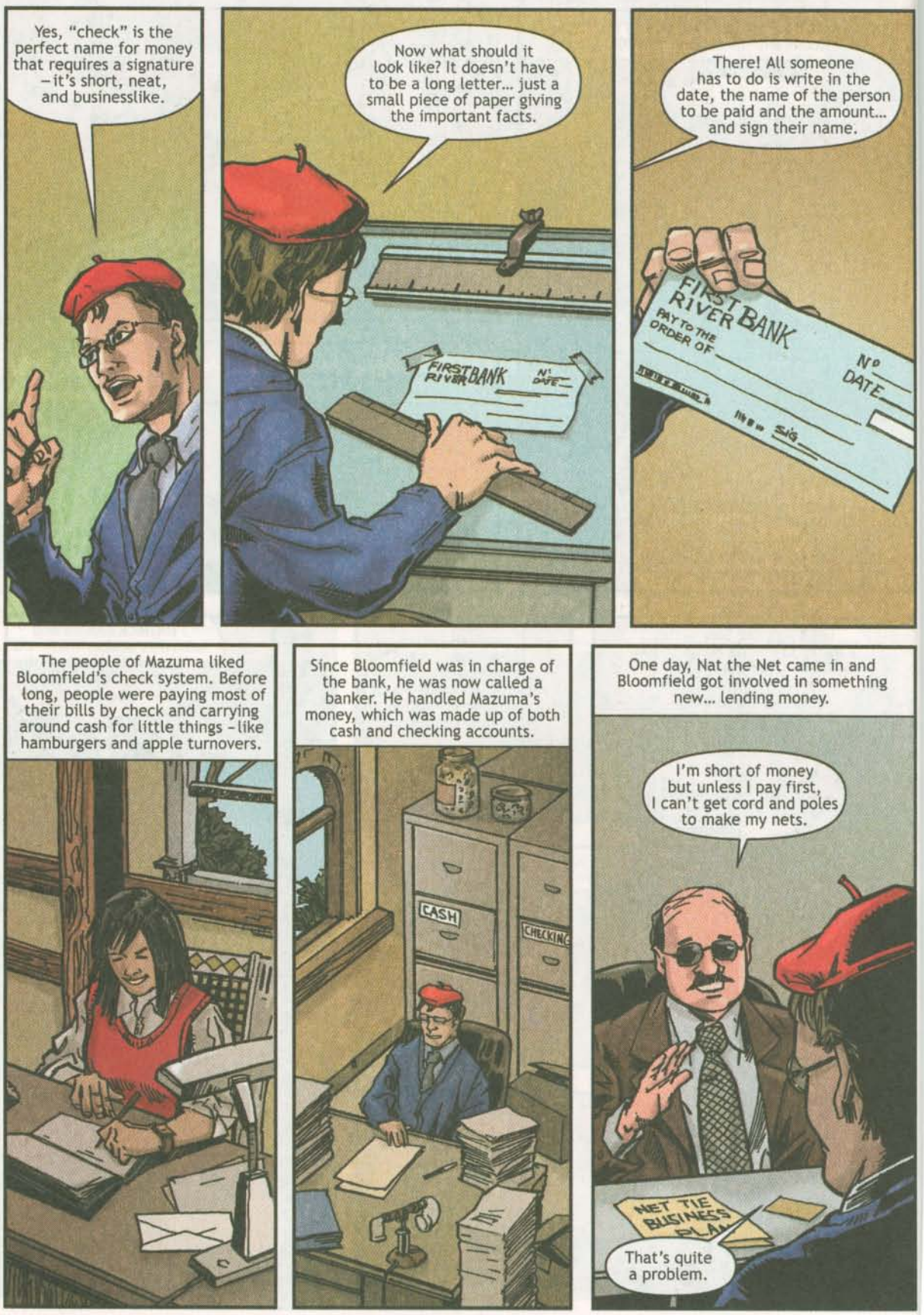
And so Mazuma got its first place to store money. It was called a bank because it was on the bank of the river.
RIVER BANK

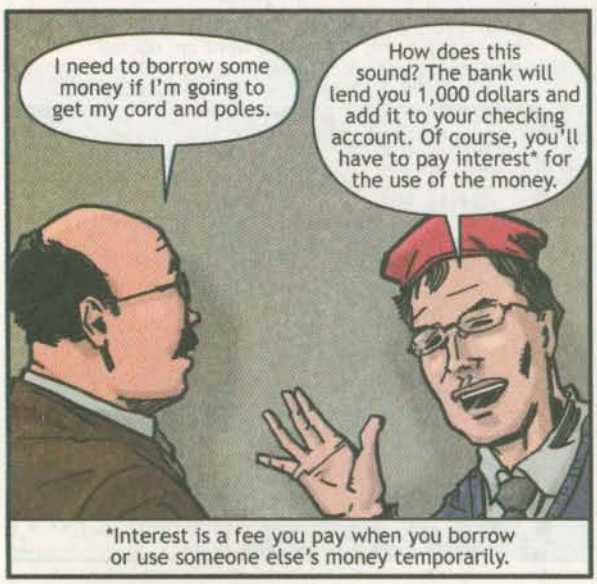
Everyone was happy keeping money in the river bank. Of course, it was a little inconvenient having to go to the bank to take out money to pay for every purchase. Bloomfield kept trying to think of a simpler way.


One day, King Bomba was too ill to get out of bed. He needed money to pay Dr. Diligent, so he wrote a letter to Bloomfield at the bank.
He asked Bloomfield to draw 20 dollars from his bank account to give to Millicent the next time she came in.

When Bloomfield got the letter he didn't know quite what to think. But he saw that it was from King Bomba and had the official seal of Mazuma.
20 DOLLARS

The next time Millicent came into the river bank Bloomfield handed her the 20 dollars.
There you go!
Thank you! You know, this is a good way to pay people what you owe them.
You know, she's right. That is a good way of paying what you owe.
People who wanted to pay the florist or the doctor or anybody at all could write the amount in a letter.
Then, here at the bank, we could subtract that amount from their records and add it to the records of the other person.
So Bloomfield got out the records, called accounts, of two people who had money stored at the bank, Sam Simoleon and Lulu Spondulik.
Hmm, let me see.
A-Z
Let's suppose Sam writes a letter saying he wants to pay Lulu 20 dollars he owes her. Well, I simply take away 20 dollars from Sam's account...
SAM SIMOLEON
100 DOLLARS
- 20 DOLLARS
80 DOLLARS
...and then I add 20 dollars to Lulu's account. It works! Now, what shall I call this system?
LULU SPONDULIK
200 DOLLAR
+ 20 DOLLARS
220 DOLLAR
I'll check around and see what people think. I'll check with Sharky, I'll check with King Bomba, even check with...
Check... check! Maybe that's the name I've been looking for!

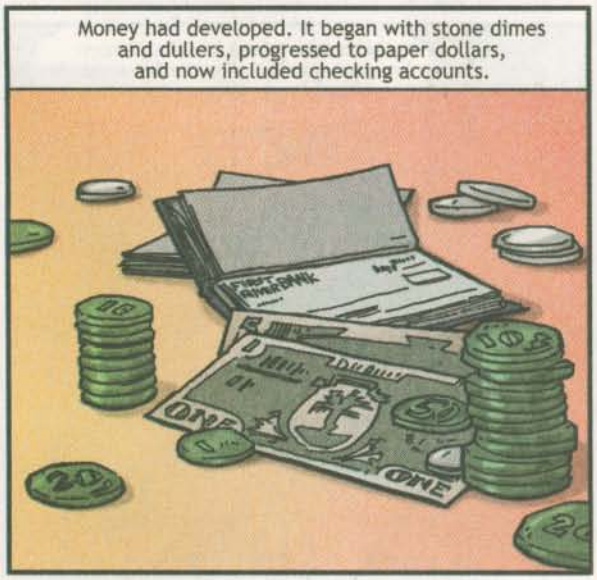

Yes, "check" is the perfect name for money that requires a signature – it's short, neat, and businesslike.
Now what should it look like? It doesn't have to be a long letter... just a small piece of paper giving the important facts.
FIRST RIVER BANK
No
DATE
There! All someone has to do is write in the date, the name of the person to be paid and the amount... and sign their name.
FIRST RIVER BANK
PAY TO THE ORDER OF
No
DATE
SIG
The people of Mazuma liked Bloomfield's check system. Before long, people were paying most of their bills by check and carrying around cash for little things – like hamburgers and apple turnovers.
Since Bloomfield was in charge of the bank, he was now called a banker. He handled Mazuma's money, which was made up of both cash and checking accounts.
CASH
CHECKING
One day, Nat the Net came in and Bloomfield got involved in something new... lending money.
I'm short of money but unless I pay first, I can't get cord and poles to make my nets.
NET TIE BUSINESS PLAN
That's quite a problem.


I need to borrow some money if I'm going to get my cord and poles.
How does this sound? The bank will lend you 1,000 dollars and add it to your checking account. Of course, you'll have to pay interest* for the use of the money.
*Interest is a fee you pay when you borrow or use someone else's money temporarily.

Okay! Now I can write checks to the polemakers and cordmakers and get my supplies.

The cordmmakers and polemakers, in turn, were glad to accept the checks Nat wrote as payment. After all, checking accounts are money, too!

Before long, Bloomfield was making loans to many people. As a result, new buildings and new houses began going up very fast. New soda fountains were built, too.


Money had developed. It began with stone dimes and dullers, progressed to paper dollars, and now included checking accounts.

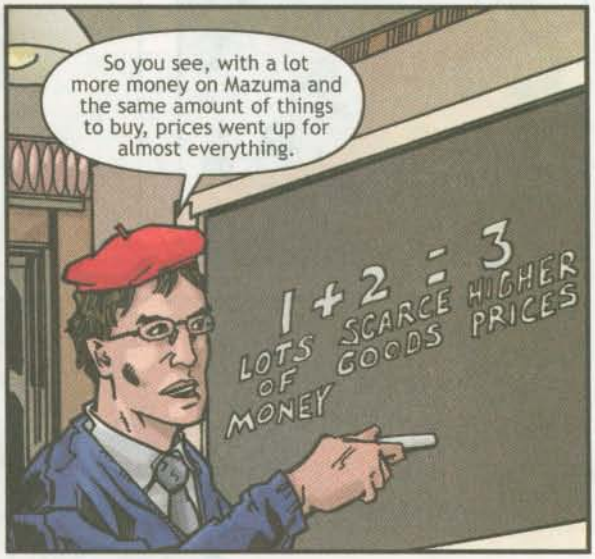
After a while, other people opened banks on other parts of the island and started lending money, too. Soon, things were really humming.
ROYAL BANK
BANK TWO
END OF PART TWO

PART THREE
Unfortunately, something unexpected happened – prices began increasing. Everyone had more money to spend than before, but there were still just the same number of things to buy...
FOR SALE CHEAPER THAN NEXT WEEK
FOR SALE HIGHER THAN LAST WEEK
... so everything costs more because people were able to pay more, and prices went up, up, up. Prices went up for marbles, crackerjacks... and almost everything. That's called inflation.
THRIFT SHOP
EVERYTHING OVER 1 DOLLAR
EVERYTHING UNDER 1 DOLLAR
The island's children could hardly afford their favorite dessert – banana splits – which had always been quite cheap on Mazuma because of the large supply of bananas.
~~.30~~ .90
Naturally, the children were unhappy. They went to see the Minister of Just Desserts...
MINISTER OF JUST DESSERTS
And guess who that was?
The children wanted Bloomfield to answer two important questions.
Why are prices rising?
Why does ice cream cost so much?
Let's take a look at what's been happening with Spike the Spearmaker – perhaps it will help us understand.

"Spike makes one spear a week. He used to charge 100 dollars. But now that people have more money they want more spears, and spear prices have been going up."

"The other day several people wanted to buy spears – but there was only one for sale."

"One shopper offered him 100 dollars and then another offered 120 dollars. A third shopper offered 125 dollars – and got the spear. Now Spike's price is 125 dollars."



"Spike could hire an assistant to help him produce more spears, but his costs would increase – and so would the price he charges for spears."

Excuse me, my name is Gwendolyn Grendel and this is my father, the president of Mazuma's Second River Bank. I have an idea that might help.
"Each year, my mother buys me new shoes because my feet keep growing. After all, if my shoes are too small, my feet will suffer."
"And if they're too big – well then it's just like the time when I tried to wear my mother's shoes. I tripped and they fell off."
Oh, I see what you're getting at, Gwendolyn. Just as your growing feet need the right fit with shoes, Mazuma's growing economy needs the right fit with money.
That's it!
Of course, it can't be as exact a fit as shoes. One way to help would be to keep the banks from lending money too quickly.
Hmmm... that may be the answer. If we slow down the total amount that banks lend, it might solve the problem of too much money.
Yes, if we set aside a certain part of our money and didn't lend it, that would work.

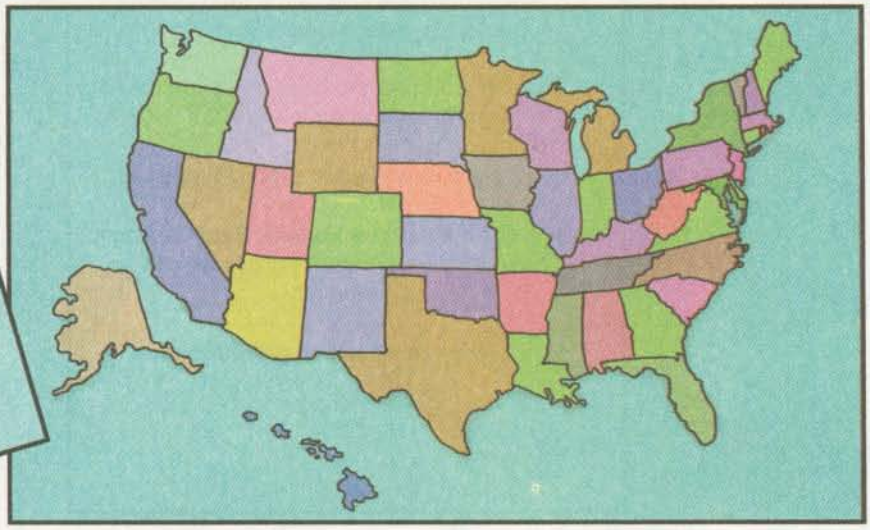
Daddy, maybe King Bomba could set up a special bank to help you control the money supply? Mazuma needs a bank to watch over the other banks.
MONEY CONTROL BANK
Hey, that sounds like a terrific idea!
It might work. Why don't we talk it over with King Bomba?
Soon Mazuma had its first central bank. It watched over the other banks. It could influence the total amount of money that other banks could lend. Its name was the Federal Reserve.
FEDERAL RESERVE
With the new central bank in operation, the banks had to slow down their lending. People had less money to spend. Gradually, prices stopped rising and inflation slowed down.
No more loans.
LOANS
To celebrate, King Bomba named Gwendolyn Grendel the new Minister of Just Desserts...
...and Bloomfield rewrote "On the Banks of the Mazumazippy," now called "In the Banks On the Mazumazippy." Everyone sang along to the tune of "On the Banks of the Wabash Far Away."
IN THE BANKS ON THE MAZUMAZIPPY

Oh, when prices climb up higher than the palm trees, and the dollar buys a little less each day, then it's time the Federal Reserve made lending harder for the banks of Mazuma far away!
Hey, wait a second! What happens when there isn't enough money? What will the Federal Reserve do then?
I'm glad you asked that. Next verse everyone.
Then the Fed will try to get the money flowing, by releasing a little more to the banks each day. Then the banks can lend out all the needed money and our economy will grow – now that's O.K.
Oh, there's money in the banks on the Mazumazippy, and there's really only one big thing to say, that the Federal Reserve must try to keep the money balanced in the banks of Mazuma far away!
So, that's the story of how Mazuma, King Bomba's little island kingdom, developed a modern economy.

First, money replaced trading. Then, banks were developed – first as storehouses for money, then as operators of the check system and then as lenders.

Then the Federal Reserve, or central bank, was established to make sure the banks didn't lend too much or too little.

In fact, Americans have been using the Mazuma system for many years. Of course, America is somewhat larger than Mazuma...



...and, therefore, things are a little more complicated, but the idea is basically the same.

Ours is an interesting story too, and in its own way, it also began "once upon a dime..."

END

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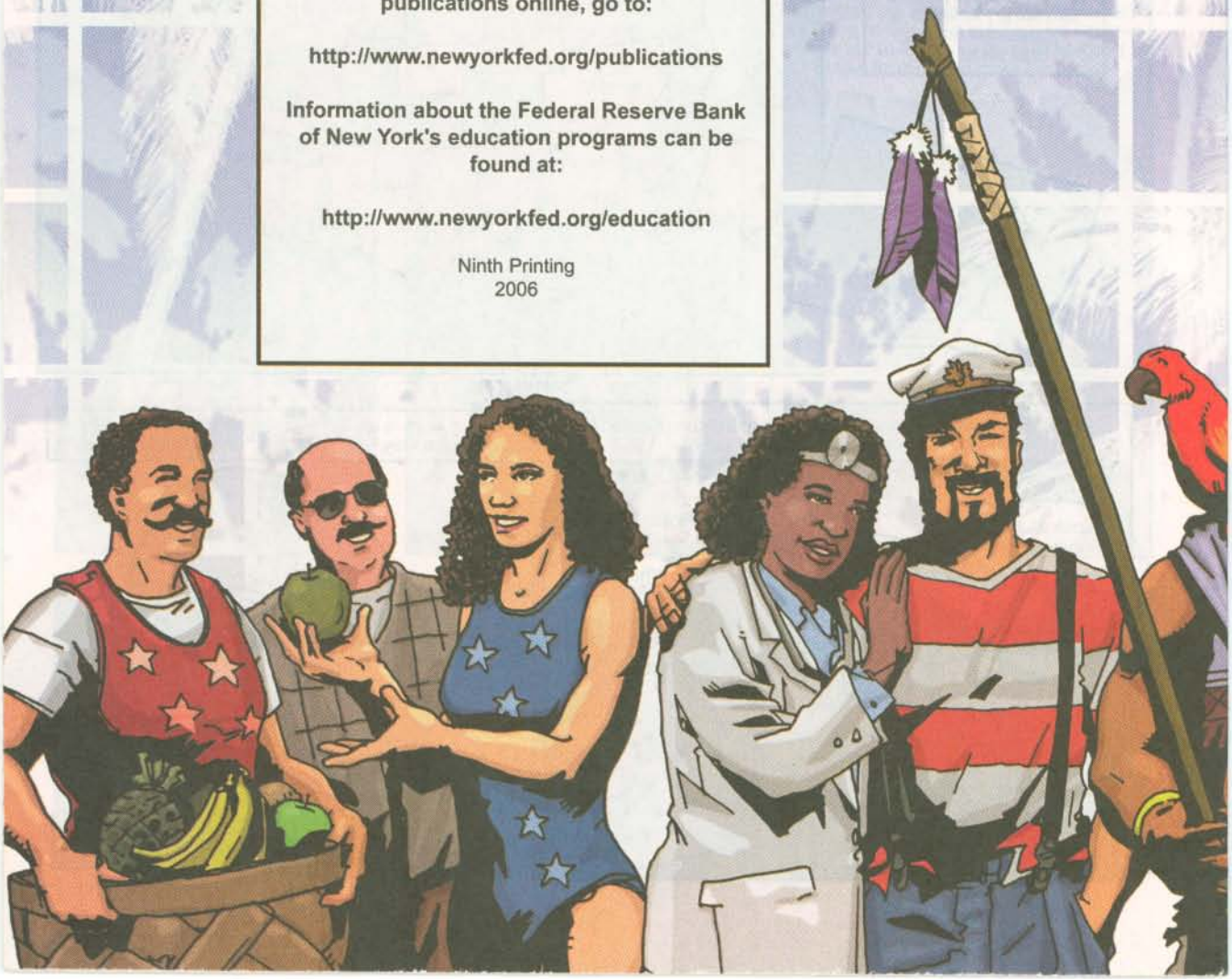
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